

Message Text

CONFIDENTIAL

PAGE 01 HONG K 03421 260127Z
ACTION EB-08

INFO OCT-01 ARA-06 EUR-12 EA-07 ISO-00 CAB-02 CIAE-00
COME-00 DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 L-03
SS-15 NSC-05 H-01 TRSE-00 SSO-00 NSCE-00 INRE-00
/067 W

-----260134Z 117248 /73

O R 260050Z MAR 77
FM AMCONGEN HONG KONG
TO SECSTATE WASHDC IMMEDIATE 4253
INFO AMCONSUL BELIZE
AMCONSUL BRIDGETOWN
AMCONSUL HAMILTON
AMEMBASSY LONDON

C O N F I D E N T I A L HONG KONG 3421

E.O. 11652: GDS
TAGS: EAIR, HK, UK
SUBJ: US-UK CIVAIR NEGOTIATIONS

REF: STATE 62635

1. PARAS 2 AND 3 REPORT ATTITUDES OF U.S. CARRIERS' HONG
KONG (HK) REPRESENTATIVES AS REQUESTED REFTEL. SUBSEQUENT
PARAS RELAY HK GOVERNMENT'S (HKG) VIEWS AS FAR AS KNOWN TO
CONGEN AND POSSIBLE TALKING POINTS FOR NEGOTIATIONSM

2. REPLIES TO QUESTIONS POSED REFTEL PARA 4:

A. WHILE FAMILIAR WITH GENERAL TERMS OF NORTH ATLANTIC
ROUTE ISSUES, U.S. CARRIER REPS IN HK DID NOT FEEL SUFFICIENTLY
INFORMED TO PREDICT LIKELY UK ROUTE REQUESTS IN THAT REGION. FOR
ASIA-PACIFIC REGION, ONE REP SPECULATED THAT UK MIGHT SEEK
RIGHTS FOR CATHAY PACIFIC (CX) INTO HAWAII OR CONTINENTAL
U.S., BUT HE ARGUED THAT THIS WOULD PROBABLY NOT BE A
PROFITABLE ROUTE FOR CX IN THE IMMEDIATE FUTURE.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 HONG K 03421 260127Z

B. AND C. U.S. CARRIER HK REPS GENERALLY SATISFIED
WITH STATUS QUO OF U.S. AIRLINE ROUTES INTO HK AND
LEVEL OF SERVICE BUT WOULD SEEK GREATER "FIFTH
FREEDOM" FLEXIBILITY FOR SE ASIA DESTINATIONS BEYOND
HK. PAN AM WOULD NOT WANT ITS PLANS TO INAUGURATE SAN
FRANCISCO-HK 747 SP SERVICE IN AUTUMN '77 TO BE
HAMPERED BY NEW US-UK BILATERAL AGREEMENT

D. U.S. FLAG CARRIERS OPERATING INTO HK DO NOT COMPETE ON ANY CITY-PAIR ROUTE.

E. U.S. CARRIERS SATISFIED WITH EXISTING CAPACITY REGIME.

F. U.S. PASSENGER CARRIERS VEXED BY UK'S RESTRAINTS ON "FIFTH FREEDOM" RIGHTS BEYOND HK, PARTICULARLY INTO TAIPEI AND MANILA AS WELL AS INTO AUSTRALIA AND NEW ZEALAND. AIRLINE OFFICIALS NOTED THAT PANAM WAS FORCED TO END (JAN 31, 1977) SERVICE TO AUSTRALIA BECAUSE HK RULED THAT FLIGHTS VIOLATED "FIFTH FREEDOM" PROVISIONS ONWARDS FROM HK.

G. HK REPS SATISFIED WITH TERMS OF PRESENT TARIFF ARTICLE BUT IRRITATED BY BOTH UK AND HK GOVERNMENTS LAX ENFORCEMENT OF IT. ONE REP CITED NOW DEFUNCT AIR SIAM AS HAVING VIOLATED TARIFF ARTICLE WITH IMPUNITY ON FLIGHTS INTO U.S. AND UK.

3. IN ONE SENSE, THE SOURCE OF LOCAL U.S. AIRLINE OFFICIALS' DISSATISFACTION WITH CURRENT US-UK BILATERAL AGREEMENT LIES OUTSIDE THE AGREEMENT ITSELF. THEY OBJECT TO HAVING UK CONSIDERED AS "PART OF THE UNITED KINGDOM" FOR THE PURPOSES OF THE AGREEMENT. THE FACT THAT BRITISH AIRWAYS (BA) CAN CHARGE SABOTAGE FARES ON ITS "DOMESTIC" LONDON-HK SERVICE GIVES BA A COMPETITIVE EDGE ON AN AMERICAN CARRIER FLYING THE SAME ROUTE. IN GENERAL, CONFIDENTIAL

CONFIDENTIAL

PAGE 03 HONG K 03421 260127Z

U.S. AIRLINE REPS HERE WOULD RATHER SEE HK GOVERNMENTS, JUST AS IT NEGOTIATES MANY BILATERAL TRADE AGREEMENTS INDEPENDENT OF, AND OFTEN IN CONFLICT WITH, THE UK,

4. WHILE CONGEN CANNOT COMMENT SPECIFICALLY ON U.S. NEGOTIATING TACTICS (AS SOUGHT REFTEL PARA 4 (I) AND (II), U.S. NEGOTIATORS MIGHT BEAR THE FOLLOWING INFORMATION IN MIND:

A) HK AND UK INTERESTS DIVERGE CONSIDERABLY ON AIR AGREEMENT MATTERS. ALTHOUGH CONGEN HAS NOT APPROACHED LOCAL AUTHORITIES DIRECTLY (PER REFTEL INSTRUCTIONS), RECENT CONOFF CONVERSATIONS WITH HK CIVIL AVIATION OFFICIALS, AS WELL AS LOCAL PRESS REPORTS, HAVE BROUGHT OUT DIVERGENT VIEWPOINTS OF UK AND HK GOVERNMENTS. IN GENERAL, HKG WANTS TO DO NOTHING TO JEOPARDIZE ITS COMPLEX AND LUCRATIVE TRADE RELATIONSHIP WITH THE U.S., NO MATTER HOW THE BRITISH WISH TO EXPLOIT HK AS A BARGAINING POINT IN THE NEGOTIATIONS.

B) THE U.S. IS THE BEST MARKET FOR HK'S EXPORTS, A

SOURCE OF ROUGHLY 35 PERCENT OF HK'S DOMESTIC EXPORT EARNINGS IN 1976 AND THE TRADING PARTNER ON WHICH THE HKG PLACES THE HIGHEST VALUE. THE FACT THAT THE HKG'S NUMBER TWO ECONOMIC PLANNER (DAVID T.K. WONG) IS ONE OF TWO HKG OFFICIALS PARTICIPATING IN THE CIVAIR NEGOTIATIONS SYMBOLIZES THE IMPORTANCE THAT THE GOVERNMENT PLACES ON THESE TALKS.

C) THE USG HAS TRADITIONALLY HAD LIBERAL AND GENEROUS TRADE POLICIES TOWARD HK, POLICIES WHICH HKG WOULD NOT LIKE TO SEE JEOPARDIZED BY UK ACTIONS RESTRICTING U.S. AIR CARRIERS' PRESENT ACCESS TO HK. AS EXAMPLES OF TRADE POLICIES FAVORABLE TO HK, WE WOULD CITE THE US-UK BILATERAL TEXTILE AGREEMENT, DUE TO BE RENEGOTIATED WITHIN THE NEXT THREE MONTHS, WHICH GIVES HK ADVANTAGES OF ACCESS TO THE U.S. MARKET UNPARALLELED BY ITS SE ASIAN COMPETITORS. INCLUSION OF HK IN THE U.S. GENERALIZED SYSTEM OF PREFERENCES (GSP) ALSO MERITS MENTION AS A U.S. CONFIDENTIAL

CONFIDENTIAL

PAGE 04 HONG K 03421 260127Z

TRADE CONCESSION GIVING HK PARITY WITH ITS SE ASIAN COMPETITORS.

D) IN TERMS OF AIRBORNE TRAFFIC SPECIFICALLY, THE RICH US-HK BILATERAL TRADE RELATIONSHIP HAS GENERATED CONSIDERABLE REVENUE TO HK-AMERICAN BUSINESSMEN TRAVEL HERE FREQUENTLY, AND SEVERAL HUNDRED U.S. FIRMS MAKE THEIR SE ASIAN HEADQUARTERS IN HK, IN LARGE MEASURE BECAUSE HK'S AIR TRANSPORT FACILITIES, PARTICULARLY CONNECTIONS TO THE U.S., GO UNRIVALLED IN THE REGION. AIR FREIGHT: AS HK'S EXPORTS INCREASE IN QUALITY AND UNIT VALUE, AIR SHIPMENT TO THE U.S. MARKET HAS BECOME COST-EFFECTIVE. TOTAL EXPORTS BY AIR IN 1976 EXCEEDED 12,000 METRIC TONS, UP NEARLY 90 PERCENT IN JUST THREE YEARS, AND MUCH OF THIS TONNAGE WAS DESTINED FOR THE U.S. MARKET. IN ADDITION, LARGE NUMBERS OF AMERICAN TOURISTS CONTINUE TO COME TO HK: 244,000 IN 1976, EACH ONE ESTIMATED BY THE HKG TO HAVE SPENT APPROXIMATELY U.S. \$420 DURING HIS STAY. NEARLY ALL THESE TRAVELLERS ARRIVED BY AIR.

5. IN MID-MARCH, CONVERSATION WITH CONOFF, HK CIVIL AVIATION OFFICIAL, ADMITTEDLY AN OPERATIONS NOT A NEGOTIATIONS MAN, COMMENTED THAT HKG FELT SOME RESENTMENT AT HK'S BEING USED BY THE UKG AS NEGOTIATING PAWN IN AIR PAWN IN AIR AGREEMENT TALKS. CIVAIR OFFICIAL RECKONED THAT HK WOULD NOT WANT ANY SERVICE OF U.S. AIR CARRIERS, WHETHER PASSENGER TRANSPORT OR FREIGHT, TO BE REDUCED BENEATH THE STATUS QUO. THE CURRENT SERVICE REPRESENTS REVENUE TO HK, HE SAID, NOT ONLY IN TERMS OF RECEIPTS FROM LANDING FEES, BUT IN SPENDING BY TOURISTS AND PERHAPS MORE IMPORTANT IN

EXPORT EARNINGS ACHIEVED THROUGH SALES OF HIGH-PRICED
HK GOODS SHIPPED TO THE U.S. MARKET BY AIR. HKG ALSO
HAS INTEREST IN "PROTECTING" ITS SINGLE LOCALLY-OWNED
CARRIER, CATHAY PACIFIC, WHICH HAS RECENTLY BEEN GRANTED
LANDING RIGHTS INTO GUAM AND WHICH VERY LIKELY INTENDS
CONFIDENTIAL

CONFIDENTIAL

PAGE 05 HONG K 03421 260127Z

TO PETITION FOR RIGHTS INTO HAWAII AND THE CONTINENTAL
U.S.

6. CONGEN WOULD APPRECIATE BEING KEPT INFORMED OF
DEVELOPMENTS IN US-UK CIVAIR NEGOTIATIONS.
CROSS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CIVIL AVIATION, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 26-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977HONGK03421
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770103-0851
Format: TEL
From: HONG KONG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770319/aaaaaqgx.tel
Line Count: 187
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 7b043ab1-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 STATE 62635
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 04-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2987385
Secure: OPEN
Status: NATIVE
Subject: US-UK CIVAIR NEGOTIATIONS
TAGS: EAIR, HK, UK
To: STATE
Type: TE
vdkgvwkey: odbs://SAS/SAS.dbo.SAS_Docs/7b043ab1-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009